

CITY OF SPENCER

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2011

CITY OF SPENCER

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CITY OF SPENCER

DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATION TRUSTEES

AS OF JUNE 30, 2011

MAYOR

Reynold L. Peterson

MAYOR PRO-TEM

Rich Prentice

COUNCIL MEMBERS

George Kruger
Randy Swanson
Rich Prentice

Edward J. Krebs
Ron Hanson

Steve Bomgaars
David A. Scott

CITY MANAGER

Bob Fagen

CITY CLERK

Theresa Reardon

CITY ATTORNEY

Donald J. Hemphill

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Lawson

FIRE CHIEF

Douglas Duncan

PLANNING DIRECTOR

Kirby Schmidt

CEMETARY SUPT.

Irwin Martin

PARK

DelRay Bredehoeft

STREET SUPERINTENDENT

Dwayne Sebbby

GOLF COURSE CLUB HOUSE MGR.

Stacy Caskey

GOLF COURSE SUPT.

Brian Mohr

LANDFILL

Chuck Duhn

SOLID WASTE SUPT.

Kent Herbold

LIBRARY DIRECTOR

Kay Iversen

DEPUTY CITY MANAGER/FINANCE OFFICER

Donna Fisher

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PUBLIC SAFETY

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Randy Swanson
George Kruger

PUBLIC WORKS

David Scott, Chairperson
Rich Prentice
Ron Hanson

FINANCE & PERSONNEL

Rich Prentice, Chairperson
Steve Bomgaars
Ron Hanson

PROGRESS & DEVELOPMENT

Randy Swanson, Chairperson
Steve Bomgaars
David Scott

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Dave Hultgren
Sandi Schmidt
Tom Howe
Murray Hart

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Steve Fox
Lavonne Peterson
Paul Brenner
Sam Harper

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Duane Willrett
Craig Wampler
Ed Nygaard
Kathy Fueston
Marjorie Eeten

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Mary Rahn
David Johnson
Susan Zulk
Diane Quist Zinn
Kari Roskens
Dave Woodcock

CIVIL SERVICE COMMISSION

Michaela Sailer-Matthiesen
Kevin Robinson
Connie Larson

COLLECTION RATE REVIEW BOARD

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Marilee Betts
Bob Fagen

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Kyle Norris
Tim Steffen
Les Hicks
Bill Hemme

PARK BOARD

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Dick Montgomery
Jason Warren
John Zinn
Mark Boyd

MUNICIPAL HOSPITAL TRUSTEES

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Neal Conover
Kris Van Berkum
John Cotton
John Rahn

ZONING BOARD OF ADJUSTMENT

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Suzanne Harper
Kirby Froehlich
Roger Green
Rhonda Dean
Mark Lykke
Don Baxter

LIBRARY TRUSTEES

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Juanita Hicks
Bryan Harken
Karen Carey
Roger Littlefield
Cathy Greiner
Carol Hansen
Audrey Wheeler
Dennis DeWitt

PLUMBERS EXAMINERS BOARD

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Rick Dean
Jarold Krogman

ELECTRICAL BOARD OF EXAMINERS

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Steve McAllister
Steve Nolting

COMMUNICATION CENTER BOARD

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Ken Chalstrom
Randy Swanson
Rich Prentice
Mark Lawson
Randy Krukow

BOARDS AND COMMISSIONS - Continued

HISTORIC PRESERVATION COMMISSION

Sheriffa Jones
Harry Rasdal
Bruce Lamport
John Frans
Clark Marshall
Karli Lillie
Jim Morony

RENAISSANCE INITIATIVE COMMITTEE

Randy Cauthron
Mary Jean Montgomery
John Goede
Tim Kehoe
Dick Schallau
Tom Nelson
Clinton Jones
Jill Barr
Jane Campbell

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Spencer
Spencer, IA 51201

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements do not include financial data for the City's legally separate component unit, Spencer Municipal Hospital. U.S. generally accepted accounting principles require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from U.S. generally accepted accounting principles, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component unit would have been reported as \$95,109,223, \$18,256,698, \$76,852,525, \$69,804,714, and \$63,519,132, respectively.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the aggregate discretely presented component unit of the City of Spencer, Iowa as of June 30, 2011, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Spencer, Iowa as of June 30, 2011 and the respective changes in cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 on our consideration of the City of Spencer, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and analysis and budgetary comparison information on pages 6 through 11 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. Other supplementary information, included in Schedules 1 to 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole. The other information included in Schedules 6 to 17 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Wintner, Starn & Co., LLC

December 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 Financial Highlights

- The City's total cash basis net assets increased \$9,115,748 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased by \$7,928,649 and the assets of the business type activities increased by \$1,187,099.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds and on the City's indebtedness.

Other Information provides selected ten-year statistical information.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting The City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property taxes and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer, solid waste, landfill, golf course, and airport. These activities are financed primarily by user charges.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain receipts (such as Sales Tax Receipts). The City has the following types of funds:

- Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as the Local Option Sales Tax, (c) the Debt Service Fund, (d) the Capital Projects Fund, (e) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

- Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains five Enterprise Funds to provide separate information for the sanitary sewer, solid waste, landfill, golf course, and airport funds. The sanitary sewer, solid waste, and landfill funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Fiduciary Funds. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Government-Wide Financial Analysis

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$12,461,785 to \$20,390,434. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	For the Year Ended <u>June 30, 2011</u>	For the Year Ended <u>June 30, 2010</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 818,065	\$ 1,027,594	\$ (209,529)
Operating grants, contributions, and restricted interest	1,219,689	1,216,939	2,750
Capital grants, contributions, and restricted interest	2,626,236	2,093,553	532,683
General receipts:			
Property and other city taxes	4,497,202	4,446,972	50,230
Tax increment financing	708,215	730,804	(22,589)
Payments in lieu of tax	470,583	485,250	(14,667)
Local option sales tax	1,790,855	1,380,226	410,629
Hotel/motel tax	144,581	116,422	28,159
Unrestricted use of money and property	299,985	366,406	(66,421)
Unrestricted miscellaneous	534,482	1,192,687	(658,205)
Sale of capital assets		51,520	(51,520)
Debt proceeds	708,830	2,761,245	(2,052,415)
Total receipts	<u>13,818,723</u>	<u>15,869,618</u>	<u>(2,050,895)</u>
Disbursements:			
Public safety	2,343,685	2,285,294	58,391
Public works	1,249,718	1,420,977	(171,259)
Culture and recreation	1,415,736	1,425,791	(10,055)
Community and economic development	2,384,116	2,289,495	94,621
General government	2,065,131	1,478,420	586,711
Debt service	2,106,313	2,584,260	(477,947)
Capital projects	3,299,247	5,828,337	(2,529,090)
Total disbursements	<u>14,863,946</u>	<u>17,312,574</u>	<u>(2,448,628)</u>
Change in cash basis net assets before transfers	(1,045,223)	(1,442,956)	397,733
Net transfers	<u>8,973,872</u>	<u>1,615,281</u>	<u>7,358,591</u>
Change in cash basis net assets	7,928,649	172,325	7,756,324
Cash basis net assets - beginning of year	<u>12,461,785</u>	<u>12,289,460</u>	<u>172,325</u>
Cash basis net assets - end of year	<u>\$20,390,434</u>	<u>\$12,461,785</u>	<u>\$ 7,928,649</u>

Changes in Cash Basis Net Assets of Business Type Activities

	For the Year Ended <u>June 30, 2011</u>	For the Year Ended <u>June 30, 2010</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 2,001,560	\$ 2,090,912	\$ (89,352)
Solid waste	1,738,859	1,568,458	170,401
Landfill	1,270,393	1,281,786	(11,393)
Airport	147,521	232,973	(85,452)
Golf course	386,920	418,627	(31,707)
Operating grants, contributions, and restricted interest	57,791		57,791
Capital grants, contributions, and restricted interest	17,511		17,511
General receipts:			
Unrestricted use of money and property	362,856	204,450	158,406
Unrestricted miscellaneous	117,559	100,632	16,927
Sale of capital assets	169,000		169,000
Debt proceeds	<u>8,203,295</u>	<u>1,323,744</u>	<u>6,879,551</u>
Total receipts	<u>14,473,265</u>	<u>7,221,582</u>	<u>7,251,683</u>
Disbursements:			
Sanitary sewer	2,113,676	1,476,093	637,583
Solid waste	1,059,523	1,580,701	(521,178)
Landfill	594,515	2,162,946	(1,568,431)
Airport	174,869	177,125	(2,256)
Golf course	<u>369,711</u>	<u>404,034</u>	<u>(34,323)</u>
Total disbursements	<u>4,312,294</u>	<u>5,800,899</u>	<u>(1,488,605)</u>
Change in cash basis net assets before transfers	10,160,971	1,420,683	8,740,288
Net transfers	<u>(8,973,872)</u>	<u>(1,615,281)</u>	<u>(7,358,591)</u>
Change in cash basis net assets	1,187,099	(194,598)	1,381,697
Cash basis net assets - beginning of year	<u>7,025,965</u>	<u>7,220,563</u>	<u>(194,598)</u>
Cash basis net assets - end of year	<u>\$ 8,213,064</u>	<u>\$ 7,025,965</u>	<u>\$ 1,187,099</u>

The total business type activities cash balance increased from a year ago, increasing from \$7,025,965 to \$8,213,064.

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$20,390,434 at June 30, 2011 which was \$7,928,649 more than last year.

The local option sales tax, debt service, and nonmajor governmental funds showed modest increases of \$125,239, \$129,613, and \$107,429, respectively.

The general fund showed an increase in cash basis net assets of \$629,447 due to an increase in receipts and a decrease in disbursements.

The capital projects fund showed an increase in cash basis net assets of \$6,936,921. This increase was primarily due to a state revolving fund loan for a combined sewer separation interceptor project. Those funds will be disbursed during the next fiscal year.

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$8,213,064 at June 30, 2011 which was \$1,187,099 more than the balance at June 30, 2010.

The sanitary sewer, solid waste, and nonmajor proprietary funds showed modest increases of \$50,316, \$139,349, and \$99,739, respectively.

The landfill fund showed an increase in cash basis net assets of \$897,695. These funds were used to increase the reserves for future improvements and the closure/post closure funds.

Budgetary Highlights

The City amended the budget on May 16, 2011. This amendment was needed to budget for additional community and economic development and debt service disbursements. Budgeted receipts were also amended to budget additional miscellaneous receipts.

The City's receipts were \$685,043 less than budgeted receipts. The most significant variance resulted from over estimating miscellaneous receipts.

The City's disbursements were \$7,107,381 less than budgeted primarily because several capital projects were not completed before year end and a bond issue that was expected to be called in June 2011 was not called until August 2011.

Debt Administration

At June 30, 2011, the City had \$17,496,070 of debt outstanding, compared to \$11,227,664 last year as shown below:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
General obligation bonds and notes	\$ 7,966,430	\$ 9,021,245
Urban renewal tax increment revenue bond	<u>355,000</u>	<u>395,000</u>
Total subject to debt limitations	8,321,430	9,416,245
Other long-term debt	275,000	300,000
Revenue bonds and notes	<u>8,899,640</u>	<u>1,511,419</u>
Total all debt	<u>\$17,496,070</u>	<u>\$11,227,664</u>

During the year, the City issued \$8,278,295 of sewer revenue bonds for wastewater treatment plant improvements and \$708,830 general obligation bonds for landfill closure costs (\$133,830) and to refund a street improvement bond (\$575,000).

Debt administration is quite conservative, with approximately 70% of all City debt repaid within the next ten years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain our 1A rating. This rating is good and reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$32,148,878. With outstanding debt applicable to this limit of \$8,321,430, we are utilizing 26% of this limit.

Economic Factors

Spencer continued to have stable construction growth during this fiscal year. Building permits in the calendar year 2010 were valued at \$9,557,844. This amount decreased over the prior year, which is a trend in this economy throughout the country. There were eleven new commercial units constructed, as well as nine new dwelling units. While individual residential properties declined slightly, the overall residential values stayed stable due to a decrease in the residential rollback.

The community remains proactive in seeking opportunities to grow and expand. Besides completing the first of several Safe Routes to School sidewalk improvement projects, the City also embarked on an aggressive solution to the combined sewer problem in the community. Another indicator that the community continues to remain stable in this volatile environment is that the local option sales tax proceeds have increased from the prior year, indicating stronger retail sales for the year.

The community is committed to moving forward even in tough economic times. The City continues to develop major community projects that will move Spencer into a good position for growth in the future.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Officer at the office of the City Clerk at 712-580-7200.

BASIC FINANCIAL STATEMENTS

CITY OF SPENCER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 2,343,685	\$ 140,699	\$ 133,118
Public works	1,249,718	53,564	1,027,691
Culture and recreation	1,415,736	159,057	40,917
Community and economic development	2,384,116	190,486	
General government	2,065,131	162,627	17,963
Debt service	2,106,313		
Capital projects	3,299,247	111,632	
Total governmental activities	<u>14,863,946</u>	<u>818,065</u>	<u>1,219,689</u>
Business type activities:			
Sanitary sewer	2,113,676	2,001,560	33,220
Solid waste	1,059,523	1,738,859	19,003
Landfill	594,515	1,270,393	
Airport	174,869	147,521	5,568
Golf course	369,711	386,920	
Total business type activities	<u>4,312,294</u>	<u>5,545,253</u>	<u>57,791</u>
TOTAL	<u>\$19,176,240</u>	<u>\$6,363,318</u>	<u>\$1,277,480</u>
General Receipts and Transfers:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Tax increment financing			
Payments in lieu of tax			
Local option sales tax			
Hotel/motel tax			
Unrestricted use of money and property			
Unrestricted miscellaneous			
Sale of capital assets			
Debt proceeds - net of \$75,000 initiation fee.			
Operating transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS - BEGINNING OF YEAR			
CASH BASIS NET ASSETS - END OF YEAR			
CASH BASIS NET ASSETS:			
Nonexpendable:			
Permanent fund principal			
Restricted, expendable for:			
Debt service			
Capital projects			
Urban renewal purposes			
Community and economic development purposes			
Employee benefits			
Police purposes			
Cemetery purposes			
Park purposes			
Closure and/or postclosure care			
Landfill recycling and planning			
Unrestricted			

TOTAL CASH BASIS NET ASSETS

See Accompanying Notes to Financial Statements

Exhibit A

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
Capital Grants, Contributions, and Restricted Interest			
\$ 700	\$ (2,069,168)		\$ (2,069,168)
	(168,463)		(168,463)
6,089	(1,209,673)		(1,209,673)
1,059,572	(1,134,058)		(1,134,058)
97,983	(1,786,558)		(1,786,558)
	(2,106,313)		(2,106,313)
<u>1,461,892</u>	<u>(1,725,723)</u>		<u>(1,725,723)</u>
<u>2,626,236</u>	<u>(10,199,956)</u>		<u>(10,199,956)</u>
		\$ (78,896)	(78,896)
		698,339	698,339
		675,878	675,878
		(4,269)	(4,269)
17,511		<u>17,209</u>	<u>17,209</u>
<u>17,511</u>		<u>1,308,261</u>	<u>1,308,261</u>
<u>\$2,643,747</u>	<u>(10,199,956)</u>	<u>1,308,261</u>	<u>(8,891,695)</u>
	4,109,444		4,109,444
	387,758		387,758
	708,215		708,215
	470,583		470,583
	1,790,855		1,790,855
	144,581		144,581
	299,985	362,856	662,841
	534,482	117,559	652,041
		169,000	169,000
	708,830	8,203,295	8,912,125
	<u>8,973,872</u>	<u>(8,973,872)</u>	
	<u>18,128,605</u>	<u>(121,162)</u>	<u>18,007,443</u>
	7,928,649	1,187,099	9,115,748
	<u>12,461,785</u>	<u>7,025,965</u>	<u>19,487,750</u>
	<u>\$20,390,434</u>	<u>\$8,213,064</u>	<u>\$28,603,498</u>
	\$ 356,226		\$ 356,226
	452,182	\$ 208,306	660,488
	7,196,242		7,196,242
	58,499		58,499
	701,078		701,078
	559,820		559,820
	8,523		8,523
	18,807		18,807
	27,128		27,128
		1,660,738	1,660,738
		253,922	253,922
	<u>11,011,929</u>	<u>6,090,098</u>	<u>17,102,027</u>
	<u>\$20,390,434</u>	<u>\$8,213,064</u>	<u>\$28,603,498</u>

See Accompanying Notes to Financial Statements

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>
RECEIPTS:			
Property tax	\$ 3,172,192		\$ 385,860
Tax increment financing			
Other city taxes	631,708	\$1,790,855	1,898
Licenses and permits	160,211		
Use of money and property	259,691	12,272	14,099
Intergovernmental	272,160		
Charges for service	271,177		
Special assessments	223,580		
Miscellaneous	<u>1,455,686</u>		
TOTAL RECEIPTS	<u>6,446,405</u>	<u>1,803,127</u>	<u>401,857</u>
DISBURSEMENTS:			
Public safety	2,023,975		
Public works	1,191,379		
Culture and recreation	1,309,844		
Community and economic development	1,294,155	902,147	
General government	864,095		
Debt service			2,106,313
Capital projects			
TOTAL DISBURSEMENTS	<u>6,683,448</u>	<u>902,147</u>	<u>2,106,313</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(237,043)</u>	<u>900,980</u>	<u>(1,704,456)</u>
OTHER FINANCING SOURCES (USES):			
Debt proceeds			575,000
Operating transfers in	1,829,297		1,266,141
Operating transfers out	<u>(962,807)</u>	<u>(775,741)</u>	<u>(7,072)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>866,490</u>	<u>(775,741)</u>	<u>1,834,069</u>
NET CHANGE IN CASH BALANCES	629,447	125,239	129,613
CASH BALANCES - BEGINNING OF YEAR	<u>10,382,482</u>	<u>521,035</u>	<u>322,569</u>
CASH BALANCES - END OF YEAR	<u>\$11,011,929</u>	<u>\$ 646,274</u>	<u>\$ 452,182</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal			
Restricted for:			
Debt service			\$ 452,182
Capital projects			
Urban renewal purposes			
Community and economic development purposes		\$ 646,274	
Employee benefits			
Police purposes			
Cemetery purposes			
Park purposes			
Committed for:			
Public safety purposes	\$ 886,382		
Public works purposes	4,798,559		
Culture and recreation purposes	786,670		
Community and economic development purposes	683,652		
Unassigned	<u>3,856,666</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$11,011,929</u>	<u>\$ 646,274</u>	<u>\$ 452,182</u>

See Accompanying Notes to Financial Statements

Exhibit B

Capital Projects	Total Nonmajor Governmental Fund	Total
	\$ 916,290	\$ 4,474,342
	708,215	708,215
	4,418	2,428,879
		160,211
\$ 508	13,415	299,985
857,209	1,027,691	2,157,060
	6,000	277,177
59,805		283,385
<u>594,272</u>	<u>270,681</u>	<u>2,320,639</u>
<u>1,511,794</u>	<u>2,946,710</u>	<u>13,109,893</u>
	319,710	2,343,685
	58,339	1,249,718
	105,892	1,415,736
	187,814	2,384,116
	1,201,036	2,065,131
		2,106,313
<u>3,299,247</u>		<u>3,299,247</u>
<u>3,299,247</u>	<u>1,872,791</u>	<u>14,863,946</u>
<u>(1,787,453)</u>	<u>1,073,919</u>	<u>(1,754,053)</u>
133,830		708,830
8,633,670	660,482	12,389,590
<u>(43,126)</u>	<u>(1,626,972)</u>	<u>(3,415,718)</u>
<u>8,724,374</u>	<u>(966,490)</u>	<u>9,682,702</u>
6,936,921	107,429	7,928,649
<u>259,321</u>	<u>976,378</u>	<u>12,461,785</u>
<u>\$7,196,242</u>	<u>\$1,083,807</u>	<u>\$20,390,434</u>
	\$ 356,226	\$ 356,226
\$7,196,242		452,182
		7,196,242
	58,499	58,499
	54,804	701,078
	559,820	559,820
	8,523	8,523
	18,807	18,807
	27,128	27,128
		886,382
		4,798,559
		786,670
		683,652
		<u>3,856,666</u>
<u>\$7,196,242</u>	<u>\$1,083,807</u>	<u>\$20,390,434</u>

See Accompanying Notes to Financial Statements

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	Sanitary Sewer	Solid Waste	Landfill	Nonmajor Proprietary Funds	Total
OPERATING RECEIPTS:					
Charges for services	\$2,001,560	\$1,738,859	\$1,270,393	\$ 534,441	\$5,545,253
Intergovernmental		19,003		23,079	42,082
Miscellaneous	<u>13,274</u>	<u>82,416</u>	<u>6,382</u>	<u>15,487</u>	<u>117,559</u>
TOTAL OPERATING RECEIPTS	<u>2,014,834</u>	<u>1,840,278</u>	<u>1,276,775</u>	<u>573,007</u>	<u>5,704,894</u>
OPERATING DISBURSEMENTS:					
Salaries	187,206	580,117	235,573	197,921	1,200,817
Payroll taxes and employee benefits ..	35,082	145,088	48,670	31,083	259,923
Repairs and maintenance	43,234	89,625	43,040	58,732	234,631
Utilities	2,233	14,402	6,493	39,895	63,023
Contract services	908,977	12,409	51,701	42,311	1,015,398
Insurance premiums	22,104	20,303	29,761	17,978	90,146
Gas and oil	5,717	107,250	77,095	13,627	203,689
Supplies	5,344	20,535	9,032	101,074	135,985
Staff development		20		3,224	3,244
Collection fee	22,200	22,200			44,400
Sales tax paid	40,889	30,702		14,942	86,533
Tipping tax			<u>88,731</u>		<u>88,731</u>
TOTAL OPERATING DISBURSEMENTS	<u>1,272,986</u>	<u>1,042,651</u>	<u>590,096</u>	<u>520,787</u>	<u>3,426,520</u>
EXCESS OF OPERATING RECEIPTS OVER DISBURSEMENTS	<u>741,848</u>	<u>797,627</u>	<u>686,679</u>	<u>52,220</u>	<u>2,278,374</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):					
Interest on investments	68,185	25,152	85,662	7,766	186,765
Farm income	80,000		6,091	90,000	176,091
Sale of capital assets			169,000		169,000
Interest subsidy on Build America Bonds	33,220				33,220
Capital outlay	(188,391)	(16,872)	(4,419)	(23,793)	(233,475)
Debt service payments:					
Revenue bond principal	(493,074)				(493,074)
Revenue bond interest	<u>(159,225)</u>				<u>(159,225)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(659,285)</u>	<u>8,280</u>	<u>256,334</u>	<u>73,973</u>	<u>(320,698)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>82,563</u>	<u>805,907</u>	<u>943,013</u>	<u>126,193</u>	<u>1,957,676</u>
OTHER FINANCING SOURCES (USES):					
Debt proceeds - net of \$75,000 initiation fee	8,203,295				8,203,295
Operating transfers in	123	10,236	578,967	1,607	590,933
Operating transfers out	<u>(8,235,665)</u>	<u>(676,794)</u>	<u>(624,285)</u>	<u>(28,061)</u>	<u>(9,564,805)</u>
TOTAL OTHER FINANCING USES	<u>(32,247)</u>	<u>(666,558)</u>	<u>(45,318)</u>	<u>(26,454)</u>	<u>(770,577)</u>
NET CHANGE IN CASH BALANCES	50,316	139,349	897,695	99,739	1,187,099
CASH BALANCES - BEGINNING OF YEAR	<u>2,660,521</u>	<u>945,864</u>	<u>3,117,856</u>	<u>301,724</u>	<u>7,025,965</u>
CASH BALANCES - END OF YEAR	<u>\$2,710,837</u>	<u>\$1,085,213</u>	<u>\$4,015,551</u>	<u>\$ 401,463</u>	<u>\$8,213,064</u>

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
CASH BASIS FUND BALANCE:					
Reserved for:					
Debt service	\$ 208,306				\$ 208,306
Closure and/or postclosure care		\$ 16,394	\$1,644,344		1,660,738
Landfill recycling and planning			253,922		253,922
Unrestricted	<u>2,502,531</u>	<u>1,068,819</u>	<u>2,117,285</u>	<u>\$ 401,463</u>	<u>6,090,098</u>
 TOTAL CASH BASIS FUND BALANCE	 <u>\$2,710,837</u>	 <u>\$1,085,213</u>	 <u>\$4,015,551</u>	 <u>\$ 401,463</u>	 <u>\$8,213,064</u>

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - FIDUCIARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

ADDITIONS:	
Use of money and property	\$ 14,827
Charges for services	4,932
Miscellaneous	<u>21,637</u>
TOTAL ADDITIONS	41,396
DEDUCTIONS:	
Community and economic development	<u>(18,000)</u>
TOTAL DEDUCTIONS	
NET CHANGE IN CASH BALANCES	23,396
CASH BALANCES - BEGINNING OF YEAR	<u>619,632</u>
CASH BALANCES - END OF YEAR	<u>\$ 643,028</u>

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spencer, Iowa is a political subdivision of the State of Iowa located in Clay County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spencer provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Spencer Municipal Hospital (SMH) is a component unit of the City. Financial information for SMH has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with U.S. generally accepted accounting principles. Spencer Municipal Hospital's financial statement can be obtained at their administrative offices or at City Hall.

The Spencer Municipal Utilities (SMU) provides electric and water utility services to the citizens of Spencer. SMU is not considered a component unit of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$470,583 in lieu of property tax payments to the City.

Jointly Governed Organization - The City also participates in several jointly governed organizations for which the city is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. The City's net assets are reported in the following categories/components:

Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and to be used for various purposes.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

Enterprise:

The Sanitary Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection activities.

The Landfill Fund is used to account for the operation and maintenance of the City's landfill activities.

C. Measurement Focus and Basis of Accounting

The City of Spencer maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2011 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

2. CASH AND POOLED INVESTMENTS - Continued

The City's cash and investments consisted of the following at June 30, 2011:

Cash on hand	\$ 1,500
Demand deposits	9,026,485
Money market account	13,000,000
Escrow account restricted to waste water treatment plant improvements	<u>7,218,541</u>
Total cash and investments	29,246,526
Less Agency Funds	<u>643,028</u>

City's Cash and Investments	<u>\$28,603,498</u>
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Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's bonds and notes payable are as follows:

Year Ending June 30,	-----Governmental Activities-----					
	General Obligation Bonds/Notes		Urban Renewal Tax Increment Revenue Bond		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$1,184,000	\$ 263,197	\$ 40,000	\$ 21,300	\$ 25,000	
2013	904,000	224,417	45,000	18,900	25,000	
2014	935,000	195,624	50,000	16,200	25,000	
2015	966,000	164,808	50,000	13,200	25,000	
2016	1,006,000	143,480	55,000	10,200	25,000	
2017-2021	2,548,430	266,066	115,000	10,500	125,000	
2022-2026	364,000	52,681			25,000	
2027-2031	<u>59,000</u>	<u>2,670</u>				
Total	<u>\$7,966,430</u>	<u>\$1,312,943</u>	<u>\$ 355,000</u>	<u>\$ 90,300</u>	<u>\$ 275,000</u>	<u>\$</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

3. BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	Total		Business-Type Activities		Total Long-Term Debt	
	Governmental Activities		Revenue Bonds	Notes		
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$1,249,000	\$ 284,497	\$ 62,000	\$ 289,452	\$ 1,311,000	\$ 573,949
2013	974,000	243,317	336,000	287,437	1,310,000	530,754
2014	1,010,000	211,824	347,000	276,517	1,357,000	488,341
2015	1,041,000	178,008	358,000	265,239	1,399,000	443,247
2016	1,086,000	153,680	370,000	253,604	1,456,000	407,284
2017-2021	2,788,430	276,566	2,038,000	1,079,650	4,826,430	1,356,216
2022-2026	389,000	52,681	2,391,000	726,246	2,780,000	778,927
2027-2031	59,000	2,670	2,497,640	320,276	2,556,640	322,946
2032			500,000	16,250	500,000	16,250
Total	<u>\$8,596,430</u>	<u>\$1,403,243</u>	<u>\$8,899,640</u>	<u>\$3,514,671</u>	<u>\$17,496,070</u>	<u>\$4,917,914</u>

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$7,966,430 at June 30, 2011. A portion of these bonds and notes are anticipated to be repaid by transfers from other funds. In compliance with statutory requirements, all payments on these bonds and notes are recorded as disbursements from the Debt Service Fund; and any payments from other funds are recorded as transfers into the Debt Service Fund.

Urban Renewal Tax Increment Revenue Bond

The City issued a \$470,000 urban renewal tax increment revenue bond in March 2007 for the purpose of providing an economic development grant in an urban renewal district. The bond is payable solely from the TIF receipts generated by the increase in property values in the urban renewal area and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are expected to produce 100% of the debt service requirements over the life of the bond. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bond is \$445,300, payable through June 2018. For the current year, principal and interest paid on the bond was \$63,700 and total TIF receipts were \$708,215.

Other Long-Term Debt

The other long-term debt represents a loan from Spencer Municipal Utilities with a balance of \$275,000 at June 30, 2011. The loan is interest free and will be paid from the General Fund from loan receivable payments received from Shine Brothers Corporation.

Revenue Notes

The City has pledged future sanitary sewer customer receipts, net of specific operating disbursements, to repay the \$1,603,000 sewer revenue bonds issued in October 2009 and the \$7,500,000 sewer revenue bonds issued in December 2010. Proceeds from the bonds provided and will provide the financing for wastewater treatment plant improvements. The bonds are payable solely from the sanitary sewer customer net receipts and are payable through June 2032. Annual principal and interest payments are expected to require less than 50% of net receipts. Total principal and interest remaining to be paid on the bonds is \$12,414,311. For the current year, principal and interest paid on the bonds was \$219,225 and customer net receipts were \$741,848. The bonds bear interest at 3.25% including a .25% loan service fee.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

3. BONDS AND NOTES PAYABLE - Continued

The resolution providing for the issuance of the two sewer revenue bonds include the following provisions:

- (A) The bonds will only be redeemed from the future earnings of the sanitary sewer activity and bond holders hold a lien on future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer sinking fund for the purpose of making principal and interest payments when due.
- (C) User rates shall be established which produce and maintain net receipts at a level not less than 110% of the principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2011, the City was in compliance with the revenue bond resolutions.

The \$7,500,000 sewer revenue bonds issued December 2010 have been designated by the City as Build America Bonds. Under the terms of the Build America Bonds, it is anticipated that 35% of the interest paid on the bonds (net of the loan service fee) will be refunded to the City by the Federal government.

The City received a \$397,000 forgivable sewer revenue loan during the year ended June 30, 2010. At June 30, 2011, the City had satisfied all the requirements for the forgiveness. Therefore, the City has shown the loan as forgiven as of June 30, 2011, although the official notification of forgiveness was not received until October 20, 2011.

4. AIRPORT LEASE AGREEMENTS

The City has entered into several lease agreements for hanger and facilities space at the Spencer Municipal Airport. A summary of the leases at June 30, 2011 is as follows:

<u>Tenant</u>	<u>Lease Term</u>	<u>Lease Amount</u>
1. Maurer Manufacturing	5-1-2011 to 10-31-2011 Month to month thereafter	\$1,550 per month
2. Maurer Manufacturing	Month to month	\$2,240 per month
3. Spencer Avionics	7-1-2008 to 6-30-2048	\$1,935 per year, until 6-30-2018
4. Leading Edge Aviation, Inc.	1-1-2010 to 6-30-2014 May be terminated with 6 months notice	\$3,100 per month
5. Superior Lubrication Products, Inc.	Indefinite, may be terminated with 60 days notice	\$1,213 per month
6. CAMM Air	3-13-2006 to 6-30-2105	\$1,200 per year, until 6-30-2016

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

5. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$1,001 during the year ended June 30, 2011. See item II-D-11 in the Schedule of Findings.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, holiday, and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2011 is as follows:

Governmental activities:	
General fund	<u>\$ 560,494</u>
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	84,040
Landfill	22,528
Golf course	<u>18,011</u>
Total business type activities	<u>124,579</u>
TOTAL	<u>\$ 685,073</u>

7. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were as follows:

	Year Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
City's contribution	\$201,960	\$192,436	\$176,474
Percentage funded of required contribution	100.0%	100.0%	100.0%

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

7. PENSION AND RETIREMENT BENEFITS - Continued

During fiscal year 2011, plan members are required to contribute 9.4% of earned compensation and the City's contribution rate may not be less than 17.00% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the year ended June 30, 2011, 2010, and 2009 were as follows:

	Year Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
City's contribution	\$237,073	\$205,649	\$211,059
Percentage funded of required contribution	100.0%	100.0%	100.0%

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 83 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Employee Benefit Systems (EBS). Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$532 for single coverage and \$1,253 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$825,414 (for active members only); and plan members eligible for benefits contributed \$199,408 (both active and retired members) to the plan.

9. RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$22,640,000 of industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2011 cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

11. CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$2,248,171 for various construction projects. As of June 30, 2011, disbursements on those contracts totaled \$1,797,093. The remaining \$451,078 will be paid as the work on the projects is completed.

12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	\$ 622,415
	Capital Projects	43,126
	Debt Service	7,072
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	82,645
	Nonmajor Governmental:	
	Special Revenue:	
	Road Use Tax	1,027,691
	Tax Increment Financing	46,348
Total General Fund		<u>1,829,297</u>
Debt Service	General	24,274
	Local Option Sales Tax	153,326
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	51,419
	Landfill	494,189
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	542,933
Total Debt Service		<u>1,266,141</u>
Capital Projects	General	462,908
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	8,059,151
	Landfill	101,611
	Nonmajor Governmental:	
	Special Revenue:	
	Trees Forever	10,000
Total Capital Projects		<u>8,633,670</u>
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	General	<u>274,018</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Nonmajor Governmental:		
Special Revenue:		
Group Medical/Life Insurance	General	\$ 200,000
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	21,978
	Solid Waste	108,063
	Landfill	28,362
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	<u>28,061</u>
Total Group Medical/Life Insurance		<u>386,464</u>
Total Nonmajor Governmental		<u>660,482</u>
Total Governmental Funds		<u>12,389,590</u>
Proprietary:		
Enterprise:		
Sanitary Sewer	Proprietary:	
	Enterprise:	
	Landfill	<u>\$ 123</u>
Solid Waste	Sanitary Sewer	<u>10,236</u>
Landfill	Sanitary Sewer	10,236
	Solid Waste	<u>568,731</u>
Total Landfill		<u>578,967</u>
Nonmajor Proprietary:		
Enterprise:		
Golf Course	General	<u>1,607</u>
Total Proprietary Funds		<u>590,933</u>
TOTAL OPERATING TRANSFERS		<u>\$12,980,523</u>

Transfers generally move resources from the fund statutorily required to collect the resources to fund the statutorily required to disburse the resources.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collection and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the close of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the City have been estimated to be \$507,000 for closure and \$1,350,000 for postclosure, for a total of \$1,857,000 as of June 30, 2011. In the current year, \$158,334 has been spent on landfill closure costs. Currently the estimated remaining life of the landfill is 30 months with approximately 17% of the landfill's capacity used at June 30, 2011. A new cell was opened on August 31, 2010.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs; and at June 30, 2011, assets of \$1,644,344 are restricted for these purposes.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the dedicated fund mechanism. Under this mechanism, the City must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2011

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS - Continued

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the City is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

As of June 30, 2011, the City had a balance in the closure/postclosure dedicated fund in the amount of \$1,644,344.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the city entered into construction contracts totaling \$8,455,475 for wastewater treatment plan improvements and other capital projects.

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPENCER
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 4,474,342		\$ 4,474,342
Tax increment financing revenues	708,215		708,215
Other city taxes	2,428,879		2,428,879
Licenses and permits	160,211		160,211
Use of money and property	299,985	\$ 362,856	662,841
Intergovernmental	2,157,060	75,302	2,232,362
Charges for services	277,177	5,545,253	5,822,430
Special assessments	283,385		283,385
Miscellaneous	<u>2,320,639</u>	<u>117,559</u>	<u>2,438,198</u>
TOTAL RECEIPTS	<u>13,109,893</u>	<u>6,100,970</u>	<u>19,210,863</u>
DISBURSEMENTS:			
Public safety	2,343,685		2,343,685
Public works	1,249,718		1,249,718
Culture and recreation	1,415,736		1,415,736
Community and economic development	2,384,116		2,384,116
General government	2,065,131		2,065,131
Debt service	2,106,313		2,106,313
Capital projects	3,299,247		3,299,247
Business-type activities		<u>4,312,294</u>	<u>4,312,294</u>
TOTAL DISBURSEMENTS	<u>14,863,946</u>	<u>4,312,294</u>	<u>19,176,240</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,754,053)</u>	<u>1,788,676</u>	<u>34,623</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets		169,000	169,000
Debt proceeds - net of \$75,000 initiation fee	708,830	8,203,295	8,912,125
Operating transfer in	12,389,590	590,933	12,980,523
Operating transfer out	<u>(3,415,718)</u>	<u>(9,564,805)</u>	<u>(12,980,523)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,682,702</u>	<u>(601,577)</u>	<u>9,081,125</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	7,928,649	1,187,099	9,115,748
BALANCE - BEGINNING OF YEAR	<u>12,461,785</u>	<u>7,025,965</u>	<u>19,487,750</u>
BALANCE - END OF YEAR	<u>\$20,390,434</u>	<u>\$ 8,213,064</u>	<u>\$28,603,498</u>

Budget		Final to
<u>Original</u>	<u>Final</u>	Actual <u>Variance</u>
\$ 4,490,552	\$ 4,490,552	\$ (16,210)
710,991	710,991	(2,776)
1,441,604	1,441,604	987,275
55,400	55,400	104,811
366,300	366,300	296,541
2,429,248	2,444,248	(211,886)
5,480,098	5,780,098	42,332
439,505	439,505	(156,120)
<u>2,517,208</u>	<u>4,167,208</u>	<u>(1,729,010)</u>
<u>17,930,906</u>	<u>19,895,906</u>	<u>(685,043)</u>
2,525,155	2,530,155	186,470
1,395,681	1,465,681	215,963
1,448,549	1,488,549	72,813
1,100,424	2,750,424	366,308
2,095,789	2,175,789	110,658
3,329,158	4,389,158	2,282,845
6,541,244	6,541,244	3,241,997
<u>4,442,621</u>	<u>4,942,621</u>	<u>630,327</u>
<u>22,878,621</u>	<u>26,283,621</u>	<u>7,107,381</u>
<u>(4,947,715)</u>	<u>(6,387,715)</u>	<u>6,422,338</u>
4,765,338	4,765,338	169,000
5,143,132	5,143,132	4,146,787
<u>(5,143,132)</u>	<u>(5,143,132)</u>	<u>7,837,391</u>
<u>4,765,338</u>	<u>4,765,338</u>	<u>(7,837,391)</u>
<u>4,765,338</u>	<u>4,765,338</u>	<u>4,315,787</u>
(182,377)	(1,622,377)	169,000
18,780,655	18,780,655	4,146,787
<u>18,780,655</u>	<u>18,780,655</u>	<u>7,837,391</u>
<u>18,780,655</u>	<u>18,780,655</u>	<u>707,095</u>
<u>\$18,598,278</u>	<u>\$17,158,278</u>	<u>\$11,445,220</u>

**CITY OF SPENCER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2011**

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,405,000. This budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SPENCER
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Permanent Funds	Total Governmental Nonmajor Funds
RECEIPTS:			
Property tax	\$ 916,290		\$ 916,290
Tax increment financing	708,215		708,215
Other city taxes	4,418		4,418
Use of money and property	9,554	\$ 3,861	13,415
Intergovernmental	1,027,691		1,027,691
Charges for services		6,000	6,000
Miscellaneous	<u>259,317</u>	<u>11,364</u>	<u>270,681</u>
TOTAL RECEIPTS	<u>2,925,485</u>	<u>21,225</u>	<u>2,946,710</u>
DISBURSEMENTS:			
Public safety	319,710		319,710
Public works	58,339		58,339
Culture and recreation	105,667	225	105,892
Community and economic development	186,170	1,644	187,814
General government	<u>1,201,036</u>		<u>1,201,036</u>
TOTAL DISBURSEMENTS	<u>1,870,922</u>	<u>1,869</u>	<u>1,872,791</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>1,054,563</u>	<u>19,356</u>	<u>1,073,919</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	660,482		660,482
Operating transfers out	<u>(1,626,972)</u>		<u>(1,626,972)</u>
TOTAL OTHER FINANCING USES	<u>(966,490)</u>		<u>(966,490)</u>
NET CHANGE IN CASH BALANCES	88,073	19,356	107,429
CASH BALANCES - BEGINNING OF YEAR	<u>566,390</u>	<u>409,988</u>	<u>976,378</u>
CASH BALANCES - END OF YEAR	<u>\$ 654,463</u>	<u>\$429,344</u>	<u>\$1,083,807</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal		\$356,226	\$ 356,226
Restricted for:			
Urban renewal purposes	\$ 58,499		58,499
Community and economic development purposes	10,850	43,954	54,804
Employee benefits	559,820		559,820
Police purposes	8,523		8,523
Cemetery purposes		18,807	18,807
Park purposes	<u>16,771</u>	<u>10,357</u>	<u>27,128</u>
TOTAL CASH BASIS FUND BALANCE	<u>\$ 654,463</u>	<u>\$429,344</u>	<u>\$1,083,807</u>

**CITY OF SPENCER
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Road Use Tax</u>	<u>Tax Increment Financing</u>	<u>SSMID</u>	<u>Police Retirement Systems</u>	<u>Civil Service Expenses</u>
RECEIPTS:					
Property tax			\$ 70,167	\$159,156	\$ 9,984
Tax increment financing		\$708,215			
Other city taxes				831	52
Use of money and property		1,434		5,746	271
Intergovernmental	\$1,027,691				
Miscellaneous					2,748
TOTAL RECEIPTS	<u>1,027,691</u>	<u>709,649</u>	<u>70,167</u>	<u>165,733</u>	<u>13,055</u>
DISBURSEMENTS:					
Public safety				185,158	9,819
Public works					
Culture and recreation					
Community and economic development		115,250	70,920		
General government					
TOTAL DISBURSEMENTS		<u>115,250</u>	<u>70,920</u>	<u>185,158</u>	<u>9,819</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,027,691</u>	<u>594,399</u>	<u>(753)</u>	<u>(19,425)</u>	<u>3,236</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in					
Operating transfers out	(1,027,691)	(589,281)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,027,691)</u>	<u>(589,281)</u>			
NET CHANGE IN CASH BALANCES		5,118	(753)	(19,425)	3,236
CASH BALANCES - BEGINNING OF YEAR		<u>53,381</u>	<u>11,603</u>	<u>254,676</u>	<u>11,194</u>
CASH BALANCES - END OF YEAR	<u>\$</u>	<u>\$ 58,499</u>	<u>\$ 10,850</u>	<u>\$235,251</u>	<u>\$ 14,430</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Urban renewal purposes		\$ 58,499			
Economic development purposes			\$ 10,850		
Employee benefits				\$235,251	\$ 14,430
Police purposes					
Park purposes					
TOTAL CASH BASIS FUND BALANCES	<u>\$</u>	<u>\$ 58,499</u>	<u>\$ 10,850</u>	<u>\$235,251</u>	<u>\$ 14,430</u>

Schedule 2

<u>Police Special Proceeds</u>	<u>Fire Pension Accumulation</u>	<u>Federal and State Retirement</u>	<u>Workers' Compensation Insurance</u>	<u>Trees Forever</u>	<u>Unemployment Insurance Claims</u>	<u>Group Medical/Life Insurance</u>	<u>Total</u>
	\$ 43,152	\$ 3,723	\$ 38,837		\$ 29,868	\$561,403	\$ 916,290
							708,215
	225	19	203		156	2,932	4,418
\$ 121	1,463			\$ 519			9,554
		17,438		5,120		234,011	1,027,691
<u>121</u>	<u>44,840</u>	<u>21,180</u>	<u>39,040</u>	<u>5,639</u>	<u>30,024</u>	<u>798,346</u>	<u>2,925,485</u>
3,229	51,915	69,589					319,710
		58,339					58,339
		91,157		14,510			105,667
							186,170
		50,619	57,818		26,087	1,066,512	1,201,036
<u>3,229</u>	<u>51,915</u>	<u>269,704</u>	<u>57,818</u>	<u>14,510</u>	<u>26,087</u>	<u>1,066,512</u>	<u>1,870,922</u>
(3,108)	(7,075)	(248,524)	(18,778)	(8,871)	3,937	(268,166)	1,054,563
		274,018		(10,000)		386,464	660,482
							(1,626,972)
		274,018		(10,000)		386,464	(966,490)
(3,108)	(7,075)	25,494	(18,778)	(18,871)	3,937	118,298	88,073
<u>11,631</u>	<u>66,086</u>	<u>56,512</u>	<u>67,891</u>	<u>35,642</u>	<u>2,071</u>	<u>(4,297)</u>	<u>566,390</u>
<u>\$ 8,523</u>	<u>\$ 59,011</u>	<u>\$ 82,006</u>	<u>\$ 49,113</u>	<u>\$ 16,771</u>	<u>\$ 6,008</u>	<u>\$114,001</u>	<u>\$ 654,463</u>
							\$ 58,499
							10,850
\$ 8,523	\$ 59,011	\$ 82,006	\$ 49,113		\$ 6,008	\$114,001	559,820
				\$ 16,771			8,523
							16,771
<u>\$ 8,523</u>	<u>\$ 59,011</u>	<u>\$ 82,006</u>	<u>\$ 49,113</u>	<u>\$ 16,771</u>	<u>\$ 6,008</u>	<u>\$114,001</u>	<u>\$ 654,463</u>

CITY OF SPENCER
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property		\$ 374	\$ 65	\$ 1,479
Charges for services	\$ 5,600		100	300
Miscellaneous		11,364		
TOTAL RECEIPTS	<u>5,600</u>	<u>11,738</u>	<u>165</u>	<u>1,779</u>
DISBURSEMENTS:				
Culture and recreation		225		
Community and economic development				
TOTAL DISBURSEMENTS		<u>225</u>		
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	5,600	11,513	165	1,779
CASH BALANCES - BEGINNING OF YEAR	<u>253,354</u>	<u>9,844</u>	<u>3,000</u>	<u>61,578</u>
CASH BALANCES AT END OF YEAR	<u>\$258,954</u>	<u>\$ 21,357</u>	<u>\$ 3,165</u>	<u>\$ 63,357</u>
CASH BASIS FUND BALANCE:				
Nonspendable:				
Permanent fund principal	\$258,954	\$ 2,550	\$ 3,165	\$ 63,357
Restricted for:				
Cemetery purposes		18,807		
Community development purposes				
Park purposes				
TOTAL CASH BASIS FUND BALANCES	<u>\$258,954</u>	<u>\$ 21,357</u>	<u>\$ 3,165</u>	<u>\$ 63,357</u>

Schedule 3

Griffin Trust Fund	Leach Park Trust Fund	Total
\$ 1,514	\$ 429	\$ 3,861
		6,000
		11,364
<u>1,514</u>	<u>429</u>	<u>21,225</u>
		225
<u>1,644</u>	<u> </u>	<u>1,644</u>
<u>1,644</u>	<u> </u>	<u>1,869</u>
(130)	429	19,356
<u>64,084</u>	<u>18,128</u>	<u>409,988</u>
<u>\$ 63,954</u>	<u>\$ 18,557</u>	<u>\$429,344</u>
\$ 20,000	\$ 8,200	\$356,226
		18,807
43,954		43,954
<u> </u>	<u>10,357</u>	<u>10,357</u>
<u>\$ 63,954</u>	<u>\$ 18,557</u>	<u>\$429,344</u>

CITY OF SPENCER
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		Total Nonmajor Proprietary Funds
	Airport	Golf Course	
OPERATING RECEIPTS:			
Charges for service	\$147,521	\$386,920	\$534,441
Intergovernmental	23,079		23,079
Miscellaneous	5,033	10,454	15,487
TOTAL OPERATING RECEIPTS	<u>175,633</u>	<u>397,374</u>	<u>573,007</u>
OPERATING DISBURSEMENTS:			
Salaries	24,803	173,118	197,921
Payroll taxes and employee benefits	5,452	25,631	31,083
Repairs and maintenance	37,041	21,691	58,732
Utilities	23,726	16,169	39,895
Contract services	35,507	6,804	42,311
Insurance premiums	15,139	2,839	17,978
Gas and oil		13,627	13,627
Supplies	14,688	86,386	101,074
Staff development	2,734	490	3,224
Sales tax paid		14,942	14,942
TOTAL OPERATING DISBURSEMENTS	<u>159,090</u>	<u>361,697</u>	<u>520,787</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>16,543</u>	<u>35,677</u>	<u>52,220</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	7,400	366	7,766
Farm income	90,000		90,000
Capital outlay	(15,779)	(8,014)	(23,793)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>81,621</u>	<u>(7,648)</u>	<u>73,973</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>98,164</u>	<u>28,029</u>	<u>126,193</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in		1,607	1,607
Operating transfers out		(28,061)	(28,061)
TOTAL OTHER FINANCING USES		<u>(26,454)</u>	<u>(26,454)</u>
NET CHANGE IN CASH BALANCES	98,164	1,575	99,739
CASH BALANCES - BEGINNING OF YEAR	<u>260,750</u>	<u>40,974</u>	<u>301,724</u>
CASH BALANCES - END OF YEAR	<u>\$358,914</u>	<u>\$ 42,549</u>	<u>\$401,463</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$358,914</u>	<u>\$ 42,549</u>	<u>\$401,463</u>

**CITY OF SPENCER
STATEMENT OF INDEBTEDNESS
JUNE 30, 2011**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Final Due Date</u>
GOVERNMENTAL ACTIVITIES:				
GENERAL OBLIGATION BONDS/NOTES:				
Corporate purpose notes	5-2001	4.80%	\$1,170,000	6-01-2012
Essential corporate purpose notes	11-2003	3.60 - 4.45%	1,900,000	6-01-2018
Refunding bonds	10-2004	3.50%	1,520,000	6-01-2012
Fire station improvement bonds	5-2005	3.60 - 4.20%	1,485,000	6-01-2018
Corporate purpose bonds	10-2006	3.80 - 4.05%	2,140,000	6-01-2017
Sewer improvement bond	1-2007	4.41%	655,000	6-01-2026
Street improvement bonds	6-2007	3.80 - 4.15%	515,000	6-01-2017
Landfill facility improvement bonds	12-2008	2.75 - 4.00%	1,350,000	6-01-2018
Urban renewal street improvement bond	10-2009		1,000,000	
Green Industrial Center spec building loan	7-2009	0.00 - 3.00% ⁽¹⁾	383,430	7-01-2019
Landfill facility refunding bonds	4-2010	2.00 - 3.00%	1,455,000	6-01-2019
Landfill closure bonds	2-2009	3.00%	426,645	6-01-2028
Street improvement bonds	12-2010	1.20 - 2.80%	575,000	6-01-2018
TOTAL GENERAL OBLIGATION BONDS/NOTES				
OTHER LONG-TERM DEBT:				
Taxable urban renewal tax increment revenue bond	3-2007	6.00%	470,000	6-01-2018
Spencer Municipal Utilities - Shine Brothers loan	11-2006	0.00%	375,000	12-05-2021
TOTAL OTHER LONG-TERM DEBT				
TOTAL GOVERNMENTAL ACTIVITIES				
BUSINESS TYPE ACTIVITIES:				
REVENUE BONDS/NOTES:				
Sewer revenue combined sewer initiative	6-2008	0.00%	433,074	
Sewer revenue bonds	10-2009	3.25 ⁽²⁾	1,603,000	6-01-2029
Forgivable sewer revenue loan	9-2009	3.25% ^{(2) (3)}	397,000	
Sewer revenue bonds (Build America Bonds)	12-2010	3.25% ^{(2) (4)}	7,500,000	6-01-2032
TOTAL BUSINESS TYPE ACTIVITIES				

⁽¹⁾ Interest begins to accrue at 3.00% on 7-1-2014.

⁽²⁾ Interest rate includes .25% service fee.

⁽³⁾ Loan principal and interest were forgiven.

⁽⁴⁾ It is anticipated that 35% of the interest (excluding the .25% service fee) will be refunded per the terms of Build America Bonds.

Schedule 5

<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Repayments</u>	<u>Forgiven</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 275,000		\$ 135,000		\$ 140,000	\$ 13,065	
1,190,000		130,000		1,060,000	47,200	
70,000		35,000		35,000	2,398	
990,000		110,000		880,000	38,295	
1,620,000		205,000		1,415,000	63,308	
590,000		25,000		565,000	26,019	
305,000		90,000		215,000	12,295	
1,220,000		135,000		1,085,000	41,022	
630,000		630,000			25,970	
383,430				383,430		
1,455,000		250,000		1,205,000	37,364	
292,815	\$ 133,830	18,645		408,000	11,756	
	<u>575,000</u>			<u>575,000</u>	<u>5,588</u>	
<u>9,021,245</u>	<u>708,830</u>	<u>1,763,645</u>		<u>7,966,430</u>	<u>324,280</u>	
395,000		40,000		355,000	23,700	
300,000		25,000		275,000		
<u>695,000</u>		<u>65,000</u>		<u>630,000</u>	<u>23,700</u>	
<u>\$ 9,716,245</u>	<u>\$ 708,830</u>	<u>\$ 1,828,645</u>		<u>\$ 8,596,430</u>	<u>\$347,980</u>	
\$ 382,431	\$ 50,643	\$ 433,074				
731,988	727,652	60,000		\$ 1,399,640	\$ 41,100	
397,000			\$397,000			
	<u>7,500,000</u>			<u>7,500,000</u>	<u>118,125</u>	
<u>\$ 1,511,419</u>	<u>\$8,278,295</u>	<u>\$ 493,074</u>	<u>\$397,000</u>	<u>\$ 8,899,640</u>	<u>\$159,225</u>	

OTHER INFORMATION

**CITY OF SPENCER
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Public Safety/ Community Protection</u>	<u>Public Works/ Home and Community Environment</u>	<u>Culture and Recreation/ Human Development</u>	<u>Community and Economic Development</u>	<u>General Government/ Policy and Administration</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
2001-02	\$2,377,524	\$4,275,878	\$1,253,442	\$ -	\$ 839,641	\$ -	\$ -	\$ 8,746,485
2002-03	1,820,298	1,286,453	1,501,855	907,477 ¹	1,055,886	817,401 ¹	2,846,127 ¹	10,235,497
2003-04	2,026,905	1,291,125	1,554,507	1,466,591 ¹	1,343,886	852,275 ¹	1,934,353 ¹	10,469,642
2004-05	1,978,717	1,416,025	1,617,789	1,218,917 ¹	1,124,274	3,871,429 ¹	4,336,342 ¹	15,563,493
2005-06	2,117,469	1,433,825	1,692,228	924,952 ¹	1,303,707	1,406,556 ¹	5,047,006 ¹	13,925,743
2006-07	2,167,277	1,474,470	1,849,139	1,496,613 ¹	1,354,535	4,904,583 ¹	1,806,523 ¹	15,053,140
2007-08	2,175,503	1,523,922	1,656,305	1,578,325 ¹	1,409,325	1,413,780 ¹	1,630,181 ¹	11,387,341
2008-09	2,461,524	1,459,165	1,369,796	2,776,842 ¹	1,465,448	1,485,111 ¹	1,820,672 ¹	12,838,558
2009-10	2,285,294	1,420,977	1,425,791	2,289,495 ¹	1,478,420	1,064,260 ¹	5,828,337 ¹	15,792,574
2010-11	2,343,685	1,249,718	1,415,736	2,384,116 ¹	2,065,131	2,106,313 ¹	3,299,247 ¹	14,863,946

¹ New columns are due to a change in the chart of accounts. Information is not available for previous years.

NOTE: For the fiscal years 2001-2002 through 2006-2007, amounts are reported on the modified-accrual basis of accounting. For the fiscal years after 2006-2007, amounts are reported on the cash basis of accounting.

**CITY OF SPENCER
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GOVERNMENTAL FUNDS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Total</u>
2001-02	\$3,626,340	\$3,284,360	\$ 715,605	\$1,304,644	\$ 8,930,949
2002-03	5,377,766	2,186,001	660,553	1,222,856	9,447,176
2003-04	5,773,995	2,149,987	689,447	1,698,517	10,311,946
2004-05	5,945,570	1,995,646	709,362	2,122,712	10,773,290
2005-06	5,799,104	2,452,620	820,133	2,121,214	11,193,071
2006-07	7,200,906	1,835,359	853,406	1,290,729	11,180,400
2007-08	7,333,936	1,646,776	882,840	1,455,837	11,319,389
2008-09	7,590,648	1,457,983	311,873	2,628,386	11,988,890
2009-10	7,653,023	2,304,375	304,060	2,795,395	13,056,853
2010-11	7,894,821	2,157,060	277,177	2,780,835	13,109,893

NOTE: For the fiscal years 2001-2002 through 2006-2007, amounts are reported on the modified-accrual basis of accounting. For the fiscal years after 2006-2007, amounts are reported on the cash basis of accounting.

**CITY OF SPENCER
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Collections as Percent of Current Levy</u>
2001-02	\$3,400,880	\$3,301,854	97.09%	\$ 28,778	\$ 3,330,632	97.93%
2002-03	3,485,163	3,363,960	96.52	29,468	3,393,428	97.37
2003-04	3,568,016	3,575,870	100.22	26,661	3,602,531	100.97
2004-05	3,598,639	3,571,797	99.25	29,716	3,601,513	100.08
2005-06	3,721,216	3,706,983	99.62	28,872	3,735,855	100.39
2006-07	3,972,892	3,923,209	98.75	39,184	3,962,393	99.74
2007-08	4,168,217	4,160,882	99.82	33,896	4,194,778	100.64
2008-09	4,248,051	4,219,396	99.33	50,162	4,269,558	100.51
2009-10	4,428,015	4,378,336	98.88	68,636	4,446,972	100.43
2010-11	4,515,391	4,456,772	98.70	40,430	4,497,202	99.60

**CITY OF SPENCER
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

<u>Payable Year</u>	<u>Real Property</u>		<u>Utilities</u>		<u>Total</u>	
	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>
2001-02	\$307,073,876	\$418,397,846	\$2,585,629	\$2,671,192	\$309,659,505	\$421,069,038
2002-03	309,383,244	441,480,443	2,483,465	2,585,629	311,866,709	444,066,072
2003-04	316,918,800	477,395,455	2,426,076	2,483,465	319,344,876	479,878,920
2004-05	317,886,216	491,790,397	2,590,188	2,426,076	320,476,404	494,216,473
2005-06	320,172,089	461,972,302	2,544,562	2,565,631	322,716,651	464,537,933
2006-07	333,287,512	557,257,067	2,843,717	2,619,711	336,131,229	559,876,778
2007-08	349,624,211	561,803,499	2,260,676	2,930,865	351,884,887	564,734,364
2008-09	354,156,680	598,779,919	2,434,206	2,831,174	356,590,886	601,611,093
2009-10	369,955,950	614,883,975	2,423,771	4,181,187	372,379,721	619,065,162
2010-11	376,448,740	618,121,056	2,120,021	4,979,517	378,568,761	623,100,573

<u>Fiscal Year</u>	<u>Ratio of Total Taxable Value to Total Assessed Value</u>
2001-02	73.5
2002-03	70.2
2003-04	66.5
2004-05	64.8
2005-06	69.5
2006-07	60.0
2007-08	62.3
2008-09	59.3
2009-10	60.2
2010-11	60.8

NOTE: Taxable Value does not include the Tax Increment Levy.

**CITY OF SPENCER
PROPERTY TAX RATES AND DEBT
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
PER \$1,000 ASSESSED VALUATION**

<u>Fiscal Year</u>	<u>City</u>	<u>School District</u>	<u>County Consolidated</u>	<u>Vocational School</u>	<u>Total</u>
2001-02	10.80566	11.36772	5.05015	0.68550	27.90903
2002-03	11.03983	12.42898	4.77727	0.77150	29.01758
2003-04	11.02005	12.43699	5.32886	0.73807	29.52397
2004-05	11.09976	13.40352	5.73764	0.71942	30.96034
2005-06	11.37501	14.30408	6.32206	0.77966	32.78081
2006-07	11.65737	13.96943	6.22273	0.83196	32.68149
2007-08	11.65137	13.96983	6.12751	0.73979	32.4885
2008-09	11.72583	14.59188	6.46980	0.75850	33.54601
2009-10	11.71943	14.59187	6.42130	0.77796	33.51056
2010-11	11.71683	14.59046	6.38216	0.78134	33.47079

<u>Name of Governmental Unit</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable To This Governmental Unit</u>
City of Spencer, Iowa	\$7,869,248	100%
Clay County	-	N/A
Spencer Community School District	-	N/A
	<u>\$7,869,248</u>	

**CITY OF SPENCER
PRINCIPAL TAXPAYERS
JUNE 30, 2011**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Menard, Inc.	Retail	\$ 9,937,340	1.59%
Sequoia Investments I, LLC	Mall	8,190,310	1.31
Wal-Mart	Retail	7,325,240	1.18
Shine Brothers Corporation	Manufacturing	5,035,100	.81
Hy-Vee, Inc.	Retail	4,595,490	.74
Lake Mills Investors, Ltd.	Doctors' office	3,645,860	.59
Black Hills/Iowa Gas Utility Co. LLC	Utility provider	3,378,022	.54
S & M Real Estate Company, LLC	Retail	3,335,690	.54
Cycle Country Accessories Corporation	Manufacturing	3,297,940.	.53
St. Luke Lutheran Home, Inc.	Assisted living	3,151,497	.51

Source:
Clay County Auditor

**CITY OF SPENCER
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2011**

Total Assessed Value (including Tax Increment Levy)		<u>\$642,977,564</u>
Debt Limit (5% of total assessed value)		<u>\$ 32,148,878</u>
Amount of debt applicable to debt limit	\$8,321,430	
Less assets in Debt Service Fund available for payment of principal	<u>452,182</u>	
Total debt applicable to debt limit		<u>7,869,248</u>
LEGAL DEBT MARGIN		<u>\$ 24,279,630</u>

**CITY OF SPENCER
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2001-02	11,317	\$421,069,038	\$6,275,000	\$311,427	\$5,963,573	1.42	\$ 527
2002-03	11,317	444,066,072	9,385,000	294,397	9,090,603	2.05	803
2003-04	11,317	479,878,920	8,330,000	614,421	7,715,579	1.61	682
2004-05	11,317	494,216,473	9,210,000	587,063	8,622,937	1.74	762
2005-06	11,317	464,537,933	8,220,000	843,866	7,376,134	1.59	652
2006-07	11,317	559,876,778	8,535,000	598,201	7,936,799	1.42	701
2007-08	11,317	564,734,364	7,990,000	710,378	7,279,622	1.29	643
2008-09	11,317	601,611,093	8,945,000	348,205	8,596,795	1.43	760
2009-10	11,317	619,065,162	9,416,245	322,569	9,093,676	1.47	804
2010-11	11,233	623,100,573	8,321,430	452,182	7,869,248	1.26	701

CITY OF SPENCER
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Services</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
2001-02	\$ 300,000	\$207,513	\$ 507,513	\$ 8,759,736 ^{1,3}	5.8
2002-03	410,000	292,796	702,796	7,386,427 ^{1,3}	9.5
2003-04	435,000	321,727	756,727	8,532,484 ^{2,3}	8.9
2004-05	410,000	289,177	699,177	11,224,858 ^{2,3}	6.2
2005-06	900,000	341,029	1,241,029	8,876,297 ^{2,3}	14.0
2006-07	895,000	390,316	1,285,316	13,243,664 ^{2,3}	9.7
2007-08	1,015,000	420,888	1,435,888	9,753,940 ^{2,4}	14.7
2008-09	1,145,000	347,330	1,492,330	11,015,597 ^{2,4}	13.5
2009-10	2,290,000	338,067	2,628,067	9,961,936 ^{2,4}	26.4
2010-11	1,763,645	324,280	2,087,925	11,562,830 ^{2,4}	18.1

¹ Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds

² Includes General, Special Revenue, and Debt Service Funds

³ Modified-accrual basis of accounting

⁴ Cash basis of accounting

**CITY OF SPENCER
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS**

Calendar Year	<u>Commercial Construction¹</u>		<u>Residential Construction¹</u>		<u>As of June 30.</u>	<u>Bank Deposits²</u>	<u>Assessed Property Value³</u>
	<u>Units</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>			
2001	29	\$ 3,287,602	190	\$4,994,002	2002	\$332,744,000	\$421,069,038
2002	29	27,572,359	193	5,330,054	2003	344,265,000	444,066,072
2003	38	4,786,168	168	6,172,450	2004	352,891,000	479,878,920
2004	11	1,268,456	39	5,628,400	2005	390,521,000	494,216,473
2005	11	5,042,500	22	4,063,350	2006	419,848,000	464,537,933
2006	11	5,240,000	24	3,659,000	2007	446,865,000	559,876,778
2007	10	3,795,000	14	2,596,000	2008	480,373,000	564,734,364
2008	5	231,000	13	2,842,000	2009	475,472,000	601,611,093
2009	4	94,200	13	2,645,000	2010	501,443,000	619,065,162
2010	11	3,173,000	9	2,096,000	2011	524,129,000	623,100,573

Source:

¹ City Building Inspector² FDIC³ Clay County Auditor

**CITY OF SPENCER
MISCELLANEOUS STATISTICS
JUNE 30, 2011**

Date of Incorporation	1880
Form of Government	Mayor/Council
Total Number of Employees (all departments)	142
Area in Square Miles	10.98
City of Spencer, Iowa, Facilities and Services:	
Miles of streets.....	98.7
Culture and Recreation:	
City parks	14
Golf courses	2
Swimming pools	1
Fire Protection:	
Number of stations	1
Number of fire personnel and officers	31
Police Protection:	
Number of stations	1
Number of police personnel and officers	28
Number of law violations:	
Physical arrests and citations	1,653
Sewerage System:	
Number of treatment plants	1
Daily average treatment in gallons.....	2,000,000
Maximum daily capacity of treatment plant in gallons	10,000,000
Water System:	
Elevated storage capacity	1,500,000
Capacity of water plant	3,000,000
Daily average consumption in gallons	1,700,000
Hospitals:	
Number of hospitals	1
Number of patient beds	99
Number of medical personnel in County (MD, DO, DC, DDS)	60

**CITY OF SPENCER
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Unemployment Rate %</u>
2001-02	11,317	2,127	3.2
2002-03	11,317	2,097	3.6
2003-04	11,317	2,120	4.1
2004-05	11,317	2,057	4.2
2005-06	11,317	2,058	3.3
2006-07	11,317	2,058	3.1
2007-08	11,317	2,097	3.1
2008-09	11,317	1,987	6.2
2009-10	11,317	1,905	6.5
2010-11	11,233	1,946	5.4

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Spencer
Spencer, IA 51301

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spencer, Iowa, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 12, 2011. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses; and therefore, there can be no assurance that all such deficiencies have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Spencer, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spencer during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Starn & Co., LLP

December 12, 2011

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-11 Financial Reporting - In reviewing the City's State of Iowa Financial Report for the year ended June 30, 2011, we noted several errors in reporting revenues and other financing sources. In particular, \$8,987,125 of long-term debt proceeds were reported as intergovernmental receipts (\$8,412,125) and special assessments (\$575,000).

Recommendation - We recommend the City put procedures in place to assure that these errors be detected prior to filing the annual report. We also recommend the City consider filing a corrected report.

Response - The City will do an additional review of the state report before it is filed in the future. The City will file an amended report.

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

CITY OF SPENCER
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting

- II-A-11 Certified Budget - Although the budget was amended on May 16, 2011, the amendment occurred after disbursements exceeded the original budget for the community and economic development function.

Recommendation - Although the budget was amended in accordance with Chapter 384.18 of the Code of Iowa, care should have been taken to ensure that the amendment is done prior to disbursements exceeding the original budget.

Response - The City will make an effort to amend the budget before disbursements are exceeded, if applicable in the future.

Conclusion - Response accepted.

- II-B-11 Questionable Disbursements - No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

- II-C-11 Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

- II-D-11 Business Transactions - The City purchased supplies totaling \$1,001 from Audio Video Connection, a business owned by Council Member Randy Swanson. The transactions do not appear to be a conflict of interest since the total paid was less than \$1,500.

- II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- II-H-11 Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.

- II-I-11 Financial Assurance - As of June 30, 2011, the City has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567.113.14(6) of the Iowa Administrative Code.